

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2010-399-C - ORDER NO. 2011-247

APRIL 4, 2011

IN RE: Application of Frontier Communications of America, Inc. for a Certificate of Public Convenience and Necessity to Provide Telecommunications Services Including Basic Local Exchange Service	) ORDER APPROVING ) APPLICATION AND ) GRANTING CERTIFICATE ) TO PROVIDE ) TELECOMMUNICATIONS ) SERVICES
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This matter comes before the Public Service Commission of South Carolina (“commission”) by way of Application of Frontier Communications of America, Inc. (“FCA” or the “Company”) requesting an amended Certificate of Public Convenience and Necessity for authority to provide resold and facilities based local exchange services, including basic local exchange service. FCA’s Application and Amended Application were filed pursuant to §§ 58-9-280(B) and 58-9-10(6) of the Code of Laws of South Carolina, the Rules and Regulations of the Public Service Commission of South Carolina (“Commission”) and the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (“1996 Act”). By its application, FCA also requests flexible regulation of its local telecommunications service offerings as the Commission first granted in Order No. 98-165 in Docket No. 97-467-C. FCA requests authority to provide all forms of local exchange telecommunications services, from basic business and residential service to voice advanced services. FCA will provide telecommunications services through its own facilities, as well as via resale and unbundled network elements

where available. FCA further requests flexible regulation of its existing long distance offerings in South Carolina authorized by Order No. 1996-611 in Docket No. 1996-094-C so that Order No. 1996-611 shall be modified and the principles and procedures established for alternative regulation in Orders Nos. 1995-1734 and 1996-55 in Docket No. 1995-661-C, and as modified by Order No. 2001-997 in Docket No. 2000-407-C shall apply to FCA and its long distance offerings. FCA also seeks waiver of certain Commission regulations pursuant to Commission Rule 103-601(3).

The Commission Clerk's Office instructed FCA to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of FCA and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. FCA complied with this instruction and provided the commission with proof of publication of the Notice of Filing in *The Post and Courier*, *Sun Publishing Company, Inc. (a/k/a The Sun News)*, *The State*, and *The Greenville News*. A Petition to Intervene was filed by the South Carolina Telephone Coalition ("SCTC"). Subsequent to the Intervention, FCA and the SCTC reached a Stipulation, attached hereto as Order Exhibit 1. The South Carolina Office of Regulatory Staff ("ORS") is a party to this Docket pursuant to statute. FCA and the ORS also reached an Agreement which is attached as Order Exhibit 2.

A hearing was convened on March 21, 2011, at 10:00 a.m. in the Commission's Law Library in Columbia, South Carolina, before Josh M. Minges, Esquire, Hearing Examiner. FCA was represented by Steven W. Hamm, Esquire, and C. Jo Anne

Wessinger Hill, Esquire, of the law firm Richardson Plowden & Robinson, PA. The ORS was represented by Shealy Boland Reibold, Esquire. The SCTC was represented by Margaret M. Fox, Esquire, of the McNair Law Firm, P.A. Stan Pace, Regional Director of Regulatory and Government Affairs for Frontier Communications, Inc. was present and testified in support of FCA's Application. In accordance with discussions of all interested parties which include the ORS and SCTC, FCA clarified that its Application is to be consistent with the Stipulation executed with the SCTC, Order Exhibit 1, and that FCA seeks authority from the Commission to be a CLEC in the State of South Carolina except in the service area of its affiliate ILEC, Frontier Communications of the Carolinas, Inc., as Frontier is already offering regulated services in that service area. Both the ORS and SCTC concurred in this clarification on the record.

The record reveals that FCA is a corporation incorporated under the laws of the Commonwealth of Delaware and is authorized to transact business in the State of South Carolina as a foreign company. FCA is also a wholly owned subsidiary of Frontier Communications, Inc. According to Mr. Pace, FCA seeks authority to provide local exchange and interexchange services. Mr. Pace reviewed and explained the Company's request for authority, and the record further reveals the Company's services, operations and fitness to provide resold and facilities-based telecommunication services. Mr. Pace stated that FCA is currently authorized to provide such telecommunications services in Alabama, Arizona, California, Florida, Georgia, Illinois, Idaho, Indiana, Iowa, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, Ohio, Oregon, Pennsylvania, Tennessee, Utah, West Virginia and Wisconsin.

FCA offers voice, data and internet services to residential and commercial customers, and does so as a certificated provider of Long Distance services, as a Competitive Local Exchange Provider (CLEC), and as an Internet Services Provider (ISP). FCA has been providing communications services for over a decade and now includes various geographic areas of twenty-four states across the Nation. FCA currently has a certificate of public convenience and necessity to provide intrastate resold telecommunications services within the State of South Carolina in accordance with Order No. 1996-611 in Docket No. 1996-094-C. FCA plans to provide local voice and data services to residential and business customers in South Carolina; therefore it is petitioning this Commission for amended authority of its existing certificate in the State of South Carolina.

Mr. Pace also discussed FCA's technical, financial and managerial resources to provide the services for which it seeks authority. Mr. Pace testified that FCA possesses sufficient financial resources to support its expanded operations in South Carolina. With regard to management and technical capabilities, both FCA's Application and Mr. Pace's testimony provides evidence that FCA's management has substantial experience in telecommunications, information technology, regulatory matters, accounting and finance. Mr. Pace noted that FCA shares in all the technical resources of its parent company, Frontier Communications, Inc., and is on par with its ILEC affiliate already operating in South Carolina, Frontier Communications of the Carolinas, Inc. Mr. Pace also testified that FCA will operate in accordance with the Commission's rules, regulations, guidelines

and Commission Orders. Mr. Pace further offered that approval of FCA's Application would serve the public interest.

Mr. Pace, on behalf of FCA, testified that as part of its application, FCA requests flexible regulation for its telecommunications services as the Commission granted in Order No. 98-165 in Docket No. 97-467-C. In the Order, the Commission determined that local tariff filings would be presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, and that any tariff filings would be subject to the same monitoring process as other similar local exchange carriers. As a competitive provider of local exchange services, Mr. Pace added that FCA should be subject to regulatory constraints no more stringent than those imposed in Docket No. 97-467-C and that FCA's local exchange service tariff filings should be regulated pursuant to this previously approved form of flexible regulation.

Mr. Pace stated that FCA also requests that all of its business service offerings be regulated pursuant to the procedures described and set out in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C. In these Orders, the Commission determined that there was justification in a competitive marketplace to relax the manner in which AT&T was regulated. The Commission determined that AT&T was not required to file maximum rates for long distance business service offerings and that its tariff filings would be presumed valid upon filing, subject to the Commission's right within seven (7) days to institute an investigation of the tariff filing. It is FCA's request to have its business services regulated in the same manner as this Commission has permitted for all other

carriers operating under alternative regulation. As an existing competitive provider of long distance business service offerings, Mr. Pace testified that FCA should be subject to regulatory constraints no more stringent than those imposed in Dockets No. 95-661-C and No. 2000-407-C and/or on other carriers.

FCA requested that its interexchange business service tariff filings be regulated pursuant to this Commission's previously approved form of flexible regulation. Specifically, FCA requested that the Commission: (i) remove the maximum rate tariff requirements for its business services offerings; (ii) presume that the tariff filings for these uncapped services will be valid upon filing. However, if the Commission institutes an investigation of a particular filing within seven (7) days, the tariff filing would be suspended until further order of the Commission; and (iii) grant FCA the same treatment as all other carriers operating under flexible regulation in connection with any future relaxation of the Commission's reporting requirements.

Mr. Pace, on behalf of FCA, requested an exemption from: (i) Regulation 103-611, requiring the maintenance of all financial records in conformance with the Uniform System of Accounts ("USOA") so that FCA will be allowed to keep its books and records in conformance with the Generally Accepted Accounting Principles ("GAAP"); (ii) the Commission requirement that a utility keep and maintain its records in the State of South Carolina as provided in Regulation 103-610; (iii) the Commission requirement that it publish and distribute local exchange directories as FCA plans to make arrangements with the incumbent LECs so that the names of FCA's customers and FCA's customer service number; and (iv) Commission requirement regarding an operating area map-filing

requirement pursuant to Reg. 103-612.2.3 as FCA's local exchange calling areas will initially mirror the service areas of the incumbent local exchange carriers.

After consideration of the applicable law, FCA's Application, as amended, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

### **FINDINGS OF FACT**

1. FCA is a duly organized corporation incorporated under the laws of the Commonwealth of Delaware, and is a wholly owned subsidiary of Frontier Communications, Inc. FCA has been authorized to do business in the State of South Carolina by the Secretary of State as a foreign corporation.

2. FCA is a provider of local exchange and interchange telecommunications services in other jurisdictions and now it wishes to expand or amend its existing authority in South Carolina under Order No. 1996-611 for intrastate resold telecommunications services to include the authority to provide resold and facilities-based local exchange services, the flexible regulation of such local service, and to provide interexchange services via alternative regulation as set forth in its Application, as amended.

3. FCA has the managerial, technical and financial resources to provide services as described in its Application, as amended, pursuant to S.C. Code Ann. §§58-9-280(B) and 58-9-10(6).

4. The Commission finds that FCA's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3).

5. The Commission finds that the issuance of a Certificate of Public Convenience and Necessity to FCA to operate as a provider of resold and facilities-based local and interexchange telecommunications services in South Carolina would be in the best interest of the citizens of South Carolina by providing the opportunity for more innovative services.

6. The Commission finds that FCA does not intend to offer prepaid calling card services at this time, but, in the event that FCA in the future offers or provides such a service, FCA shall post a surety bond or certificate of deposit for prepaid calling card and long distance services in the amount of \$5,000 as required by the Commission.

7. The Commission finds that FCA will support universally available telephone service at affordable rates. S.C. Code Ann. §58-9-280(B)(4).

8. The commission finds that the services to be provided by FCA will meet the service standards of the Commission. S.C. Code Ann. §58-9-280(B)(2).

9. The commission finds that provision of local exchange services by FCA “does not otherwise adversely impact the public interest.” S.C. Code Ann. §58-9-280(B)(5).

10. Following execution of the Stipulation with the SCTC, the SCTC withdrew its prefiled testimony and now has no objection to this Application, as amended.



**CONCLUSIONS OF LAW**

1. The Commission concludes that FCA possesses the managerial, technical, and financial resources to provide the services as described in its Application, as amended.

2. The Commission concludes that FCA will participate in the support of universally available telephone service at affordable rates to the extent that FCA may be required to do so by the Commission.

3. The Commission concludes that FCA will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of FCA's Application, as amended, to amend its existing authority and certificate in South Carolina to provide intrastate telecommunications services within the State of South Carolina will serve the public interest by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by FCA as set forth in its Application, as amended, will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide intrastate interexchange and local exchange telecommunications as requested by FCA and as set forth in its Application, as amended and clarified, and in the testimony of Mr. Pace, is in the best interest of the citizens of the State of South Carolina.

7. The Commission concludes that an amended statewide Certificate of Public Convenience and Necessity should be granted to FCA to provide resold and

facilities-based intrastate interexchange and competitive local exchange telecommunications services in accordance with its Application, as amended.

8. The Commission adopts that FCA's local exchange telecommunication services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for FCA's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels that will have been previously approved by the Commission. Further, FCA's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right, within thirty (30) days, to institute an investigation of the tariff filing, in which case the tariff filing will be subject to the same monitoring process as other similar local exchange carriers. The Commission agrees that FCA, as a competitive provider of local exchange services, should not be subject to regulatory constraints more stringent than those imposed in Docket No. 97-467-C.

9. The Commission adopts a rate design for the long distance services of FCA consistent with the principles and procedures established for alternative regulation of business service offering set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C.

10 Under the Commission approved, modified alternative regulation, the business service offering of FCA, including consumer card services and operator services, are subject to a relaxed regulatory scheme identical to that established in Order

Nos. 95-1734 and 96-55 in Docket No. 95-661-C. However, pursuant to Order No. 2001-997 in Docket No. 2000-407-C, this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain “operator-assisted calls” where a customer uses a local exchange carrier’s calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Under this relaxed regulatory scheme, the company is not required to file maximum rates for long distance business service offerings and its tariff filings would be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of the tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven (7) days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for other carriers operating under alternative regulation shall apply to FCA also. The Commission concludes that FCA’s request to have its business services regulated in the same manner as this Commission has previously permitted for other carriers operating under alternative regulation is reasonable and that as a competitive provider of long distance business service offerings, FCA should be subject to regulatory constraints no more stringent than those imposed in Dockets No. 95-661-C and No. 2000-407-C and/or on other carriers operating under alternative regulation. The Commission further concludes that FCA’s interexchange business service tariff filings be regulated pursuant to this form of flexible regulation.

11. With regard to the residential interexchange service offerings of FCA, the Commission adopts that a rate design for FCA that includes maximum rate levels for

each tariff charge. The Commission has previously adopted a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels. See *In Re: Application of GTE Sprint Communications Corporation, etc.*, Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

12. With regard to the residential interexchange service rates of FCA, the Commission concludes that FCA shall not adjust its residential interexchange service rates above the approved maximum levels without notice to the Commission and to the public. FCA shall file its proposed rate changes, publish notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of such changes. However, the public notice requirement is waived, and therefore not required, for reduction below the maximum cap in instances that do not affect the general body of subscribers or do not constitute a general rate reduction, *In Re: Application of GTE Sprint Communications Corporation, etc.*, Order No. 93-638 (July 6, 1993) in Docket No. 84-10-C. Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of FCA's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540. Any relaxation in these policies and procedures in Order No. 93-638 in Docket No. 84-10-C that may be adopted by the Commission in the future shall apply to FCA also.

13. The Commission concludes that FCA's request for waiver of 26 Code Ann. Regs. 103-610 (Supp. 2010) should be granted. We also grant exemption ~~from~~from the policies requiring the use of USOA. In addition, we grant waiver of 26 Code Ann.

Regs. 103-631 (Supp. 2010), which requires publication of a local telephone directory. Last, we grant a waiver of 26 Code Ann. Regs. 103-612.2.3 (Supp. 2010), which requires filing a map of the service territory.

**IT IS THEREFORE ORDERED, ADJUDGED AND DECREED THAT:**

1. A Certificate of Public Convenience and Necessity should be granted to FCA: (a) to provide amended authority of its existing certificate so as to provide and authorize FCA as a reseller of long distance telecommunications services in the State of South Carolina; (b) to provide and authorize FCA to operate as a facilities-based provider and reseller of local exchange telecommunication services within the State of South Carolina in accordance with its Amended and clarified Application and subject to the stipulation with SCTC in all areas except the existing service territory of its ILEC affiliate Frontier Communications of the Carolinas, Inc.; (c) to provide for and authorize flexible regulatory treatment of its local exchange services; and (d) to provide for and authorize alternative regulation of its existing long distance service offerings.

2. FCA's rate plan or tariff for its regulated products and services shall conform to those requirements described in Conclusions of Law above.

3. If it has not already done so by the date of the issuance of this Order, FCA shall file its tariff, if any, and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

4. FCA agrees it will file its final tariff utilizing the Commission's e-filing system for tariffs. The tariff should be electronically filed in a text searchable PDF

format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. The tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

5. Any retail interexchange service offered by FCA will be subject to access charges pursuant to the Commission Order No. 86-584, in which the Commission determined that for access purposes reseller and facilities-based interexchange carriers should be treated similarly.

6. With regard to any resale of service by FCA, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. In any provision of retail interexchange or local exchange service, FCA shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission.

8. With regard to the origination and termination of toll calls with-in the same LATA, FCA shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (47 C.F.R. §51.209). Specifically, where applicable, FCA shall comply with the imputation standard as adopted by Order No. 93-

462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

9. FCA shall file annual financial information in the form of annual reports and gross receipts as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, FCA shall keep financial records on an intrastate business basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website or at the ORS's website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov). The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by FCA to file annual financial information with the Commission and ORS and shall be filed no later than April 1<sup>st</sup>. Commission gross receipts forms are due to be filed with the Commission and ORS no later than August 31<sup>st</sup> of each year. The proper form for filing gross receipts information can be found at the ORS website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov), and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS on the South Carolina Universal Service Fund ("USF") Contribution Worksheet, which may be found on the ORS's website at [www.regulatorystaff.sc.gov](http://www.regulatorystaff.sc.gov). This worksheet provides ORS with information that is required to determine each telecommunications company's liability to the State USF fund. The State USF worksheet is due to be filed annually no later than July 1<sup>st</sup> with ORS.

10. FCA shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests, and repairs. In addition, FCA shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connect with general management duties as well as emergencies which occur during non-office hours. FCA shall file the names, addresses, and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The “Authorized Utility Representative Information” form can be found at the Commission’s website at [www.psc.sc.gov/forms.asp](http://www.psc.sc.gov/forms.asp). This form shall be utilized for the provisions of this information to the Commission and ORS. Further, FCA shall promptly notify the Commission and ORS in writing if the representatives are changed.

11. FCA is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

12. At the hearing, FCA requested a waiver of 26 Code Ann. Regs. 103-610 (Supp. 2010), requiring that records required by the Commission’s Rules and Regulations be maintained in South Carolina. The Commission finds that FCA’s requested waiver is reasonable and understands the potential difficulty presented to FCA should the waiver not be granted. The Commission therefore grants the requested waiver. However, FCA shall make available its books and records at all reasonable times upon request by the ORS, and FCA shall promptly notify the Commission and ORS if the location of its books and records changes.



13. FCA also requested that it be exempt from the record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA") as required by the Commission in 26 Code Ann. Regs. 103-611 (Supp. 2010). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, FCA maintains its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP"). GAAP is used extensively by interexchange carriers and other competitive local exchange carriers. Accordingly, FCA requests an exemption from the USOA requirements. We grant FCA's request for the reasons stated above.

14. By its application, as amended, FCA further requested a waiver of 26 Code Ann. Regs. 103-631 (Supp. 2010). In lieu of publishing local directories, FCA informs the Commission that it will contract with the incumbent LECs to provide FCA's customers with directory listings, as well as to undertake the distribution of directories. The Commission finds FCA's request reasonable and grants the requested waiver of the application of 26 Code Ann. Regs. 103-631. Further, FCA is granted a waiver of 26 Code Ann. Regs. 103-612.2.3 (Supp. 2010) requiring an operating area map. FCA's representative testified that it will be burdensome to require FCA to comply with this Rule and that FCA's local exchange calling areas will initially mirror the service areas of the incumbent local exchange carriers. As authorized by 26 Code Ann. Regs. 103-601(3), the Commission can waive or provide exemption to certain Commission requirements that introduce unusual difficulty, which are not consistent with the demands of the competitive market and/or that constitute an undue burden. The Commission finds

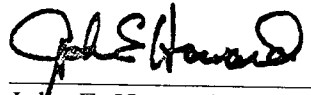
FCA's request reasonable and grants the requested waiver of the application of 26 Code Ann. Regs. 103-612.2.3. (Supp. 2010). The Commission further finds that FCA is not prohibited or prejudiced in any way to seek any other regulatory waivers or to seek further amendment of its authority and Certificate of Public Convenience and Necessity in South Carolina.

15. FCA shall be required to comply with Title 23, Chapter 47, South Carolina Code of Laws Annotated which governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs FCA to contact the appropriate authorities regarding 911 service in the counties and cities where FCA will be operating. Contact with the appropriate 911 service authorities is to be made before providing voice or dial tone telephone services in South Carolina. Accompanying this Order is memo from the State 911 Office of Research & Statistics of the South Carolina Budget and Control Board which is an Exhibit to Exhibit 2. This memo provides information about contacting County 911 Coordinators. By this Order and prior to providing voice or dial tone services in South Carolina, FCA is directed to contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding FCA's operations as required by the 911 system.

16. To the extent necessary, FCA agrees to engage in good faith negotiations with the incumbent local exchange carriers whose networks interconnect at the same local tandem regarding traffic exchange.

17. This Order shall remain in full force and effect until further Order of the Commission.

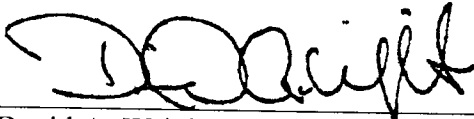
BY ORDER OF THIS COMMISSION:



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John E. Howard, Chairman

ATTEST:



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David A. Wright, Vice Chairman

(SEAL)

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

Docket No. 2010-399-C

Re: Application of Frontier Communications of )  
America, Inc. for a Certificate of Public )  
Convenience and Necessity to Provide )  
Telecommunications Services Including )  
Facilities Based Basic Local Exchange )  
Service and For Flexible Regulation of )  
Local Exchange Services and For )  
Alternative Regulation of its Existing )  
Long Distance Service Offerings )  
Authorized by Order No. 96-611 )

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Frontier Communications of America, Inc. ("Frontier") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Frontier's Application. SCTC and Frontier stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Frontier, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Frontier stipulates and agrees that any Certificate which may be granted will authorize Frontier to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Frontier stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

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4. Frontier stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until Frontier provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Frontier acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Frontier stipulates and agrees that, if Frontier gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Frontier will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Frontier acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Frontier, and this Stipulation in no way suspends or

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adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

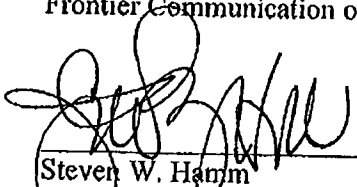
8. Frontier agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. Frontier hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

10. Notwithstanding any provision contained herein, the terms, conditions, and limitations of the Stipulation apply only in those instances where a rural telephone company's federal rural exemption under 47 U.S.C. § 251(f)(1) is implicated.

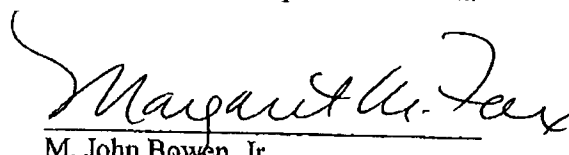
AGREED AND STIPULATED to this 17<sup>th</sup> day of March, 2011.

Frontier Communication of America, Inc.

  
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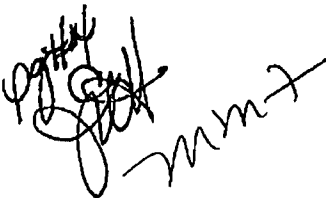
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Attorneys for the South Carolina  
Telephone Coalition

ATTACHMENT A  
South Carolina Telephone Coalition Member Companies  
for Purposes of Local Service Stipulation

Chesnee Telephone Company  
Chester Telephone Company  
Farmers Telephone Cooperative, Inc.  
Ft. Mill Telephone Company  
Home Telephone Company, Inc.  
Lancaster Telephone Company  
Lockhart Telephone Company  
McClellanville Telephone Company  
Norway Telephone Company  
Palmetto Rural Telephone Cooperative, Inc.  
Piedmont Rural Telephone Cooperative, Inc.  
Pond Branch Telephone Company  
Ridgeway Telephone Company  
Rock Hill Telephone Company  
Sandhill Telephone Cooperative, Inc.  
St. Stephen Telephone Company  
West Carolina Rural Telephone Cooperative, Inc.  
Williston Telephone Company

Handwritten signature and initials, possibly "mm7", in the bottom left corner.

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2010-399-C**

<b>In Re:</b>	)	
<b>Application of Frontier Communications</b>	)	
<b>Of America, Inc. for a Certificate of</b>	)	
<b>Convenience and Necessity to Provide</b>	)	<b>SETTLEMENT AGREEMENT</b>
<b>Telecommunications Services Including</b>	)	
<b>Resold and Facilities Based Local</b>	)	
<b>Exchange Service and for Flexible</b>	)	
<b>Regulation and for Alternative Regulation)</b>	)	
<b>Of its Existing Long Distance Service</b>	)	
<b>Offerings</b>	)	

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and Frontier Communications of America, LLC ("Frontier" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on December 3, 2010, Frontier filed its Application requesting a Certificate of Public Convenience and Necessity be granted authorizing the Company to provide resold and facilities-based local exchange telecommunications services. On February 10, 2011, Frontier filed an Amended Application seeking, in addition to its request for local exchange authority: (i) flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (ii) alternative regulation of its existing interexchange business services consistent with Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) waiver of certain regulations of the Public Service Commission of South Carolina ("Commission"), specifically Regulations 103-610



regarding location of records, 103-612.2.3 regarding the filing of operating maps, and 103-631 concerning publishing and distributing local exchange directories; and (iv) a waiver of any requirement to maintain financial records in conformance with the Uniform System of Accounts (“USOA”);

WHEREAS, on December 9, 2010, counsel for ORS entered a Notice of Appearance in this matter;

WHEREAS on December 13, 2010, the Commission issued a Notice of Filing and Hearing and established a return date of January 13, 2011, for the filing of letters of protest or petitions to intervene and established a hearing date of March 21, 2011 for the Application to be heard before a Hearing Examiner;

WHEREAS, on December 15, 2010, the Commission issued its Order No. 2010-851 by which the Commission appointed Josh Minges, Esquire as the Hearing Examiner in this matter;

WHEREAS, on January 12, 2011, the South Carolina Telephone Coalition (“SCTC”) filed a Petition to Intervene in this docket;

WHEREAS, on January 12, 2011, Frontier filed its proof of publication;

WHEREAS, on February 14, 2011, the Company pre-filed the direct testimony of Stan Pace with the Commission;

WHEREAS, on March 18, 2011, the SCTC filed with the Commission a Stipulation between the SCTC and Frontier;

WHEREAS, the purpose of this proceeding is to review the Application filed by Frontier and its requests: (i) for a Certificate of Public Convenience and Necessity to provide resold and facilities-based local exchange telecommunications services; (ii) for alternative regulation of its existing interexchange business services, consumer card services, operator services, and private

line services consistent with Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) for flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (iv) for waiver of certain of the Commission Regulations, specifically Regulations 103-610 regarding location of records, 103-612.2.3 regarding the filing of operating maps, and 103-631 concerning publishing and distributing local exchange directories; and (v) for waiver of any requirement to maintain financial records in conformance with the USOA;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide the services requested in the Application;

WHEREAS, ORS has reviewed the Application and the financial data provided by Frontier, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by Frontier and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs submitted by the Company;

WHEREAS, ORS has reviewed the prefiled testimony of Stan Pace;

WHEREAS, as a result of its investigations, ORS has determined: (a) Frontier intends to offer resold and facilities-based local telecommunications services from basic business and residential service to advanced voice services; (b) the officers of the Company possess sufficient technical and managerial abilities to adequately provide the services applied for; (c) based upon the information provided and the analysis performed, Frontier appears to have access to sufficient financial resources necessary to provide the services proposed in its application; (d) the

Company's proposed tariffs comply with Commission statutes and regulations; (e) the Company agrees that the services to be provided by Frontier will meet the service standards required by the Commission; (f) the provision of services by Frontier will not adversely impact the availability of affordable telecommunications services; (g) to the extent it is required to do so by the Commission, the Company will participate in the support of universally available telephone service at affordable rates; and (h) the provision of interexchange services by Frontier will not adversely impact the public interest;

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

- 1) The Parties agree that Frontier's Application as amended and exhibits to the Application are incorporated into this Settlement Agreement and made a part hereof;
- 2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of the Company's witness Stan Pace without cross-examination by ORS;
- 3) Frontier has submitted financial data which was provided as Exhibit 3 to the Company's Application and which financial data is incorporated by reference;
- 4) The Parties agree that Frontier should be granted a Certificate of Public Convenience and Necessity to provide resold and facilities-based local exchange telecommunications services;

5) The Company has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 concerning the location of books and records. However, S.C. Code Ann. §58-9-380 (Supp. 2010) provides that:

Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing Frontier to maintain its books and records outside of the State of South Carolina in exchange for Frontier agreeing to provide access to its books and records. ORS is agreeable to the Company maintaining its books and records at its principal offices in the State of Connecticut, and Frontier agrees to notify the ORS of any change in the location of the principal office or in the location where the books and records are maintained. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2010) or § 58-9-1070 (Supp. 2010). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties and compliance with any state or federal regulation;

6) ORS does not oppose the Company's request for waiver of 26 S.C. Code Ann. Regs. 103-631 which requires the publication and distribution of directories, and Frontier agrees to make arrangements with publishers of local directories in South Carolina to include the names and telephone numbers of Frontier's subscribers and customers in local directories, unless a subscriber indicates his/her desire for an unpublished telephone number;

7) ORS does not oppose the Company's request for waiver of 26. S.C. Code Ann. Regs. 103-612.2.3 regarding the filing of operating maps.

8) Frontier has requested a waiver of any rule or regulation that might require a carrier to maintain its financial records in conformance with the USOA. The Company acknowledges that S.C. Code Ann. § 58-9-340 (Supp. 2010) provides that the ORS may, in its discretion and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the Commission's jurisdiction and that the ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. The Company agrees to keep its books, papers, and records in such a manner that permits ORS to audit its revenues and expenses associated with its South Carolina operations for compliance with programs such as but not limited to the Universal Service Fund ("USF") and the Interim LEC Fund, dual party relay service fund, and gross receipts. Frontier agrees to complete the reporting forms for such programs as, but not limited to, USF, dual party relay service fund, Interim LEC, and gross receipts as may be required by the ORS of telecommunications companies certificated to operate within South Carolina and as the reporting forms may be amended from time to time;

9) ORS does not oppose Frontier's requests: (a) for flexible regulation for its local telecommunications service offerings consistent with Order No. 98-165 in Docket No. 97-467-C, such flexible regulation including specifically (i) adoption of a competitive rate structure incorporating maximum rate levels with the flexibility for rate adjustment below the maximum rate levels and (ii) presumptively valid tariff filings upon filing subject to an investigation of such tariff filing being instituted within thirty (30) days; and (b) for alternative regulation of its

existing interexchange business services, consumer card services, operator services, and private line service offerings consistent with the procedures described and set forth in Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C, specifically (i) removal of the maximum rate tariff requirements for Frontier's business services, private line, and customer network-type offerings, except in instances governed by Order No. 2001-997 which reinstituted maximum rates for surcharges and rates associated with certain intrastate operator-assisted calls; (ii) presumptively valid tariff filings for these interexchange services unless an investigation of a particular filing is instituted within seven (7) days, in which case the tariff filing will be suspended until resolution of the investigation or until further order of the Commission; and (iii) grant Frontier the same treatment as all other carriers operating under alternative regulation in connection with any future relaxation of reporting requirements;

10) The Company agrees to resell the services only of those local exchange providers authorized to do business in South Carolina by the Commission. Frontier agrees to notify ORS and the Commission, in writing, of its underlying carriers and if Frontier changes its underlying carriers;

11) Frontier agrees that it will allow an end-user to access an alternative operator service provider if the end-user expresses such a desire;

12) Frontier agrees to file necessary financial, and other, information with the Commission and ORS for universal service fund reporting, dual party relay service fund reporting, interim LEC fund reporting, annual reporting, gross receipts reporting, and/or any other reporting which may now or in the future be applicable to telecommunications providers such as Frontier. The Parties agree that such reports shall be filed pursuant to ORS's instructions

and monies shall be remitted in accordance with the directions of the ORS and Commission requirements.

13) The Company agrees to maintain its books and records associated with its South Carolina operations in a manner that would permit ORS to examine any of the Company's reports filed with the Commission and provided to ORS.

14) Frontier agrees to file with the Commission and ORS a completed authorized utility representative forms within thirty (30) days of the Commission's order.

15) In the event that Frontier offers prepaid calling card services, the Company agrees that it shall post a surety bond in the amount of \$5,000 as required by the Commission;

16) In the event that the Company offers prepaid local exchange service, Frontier agrees to comply with 26. S.C. Code Regs. 103-607 in that it will obtain a bond, irrevocable letter of credit, or certificate of deposit per the Commission's request or properly demonstrate the Company's entitlement to a waiver of that regulation.

17) In the event that Frontier offers local and long distance services to end users, Frontier agrees to comply with the verification regulations governing change of preferred carriers as established by Federal Communications Commission ("FCC"). In addition, in the event that Frontier offers local and long distance services to end users, the Company agrees to comply with the marketing practices and guidelines established by the Commission in Order No. 95-658;

18) Frontier agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, to the extent applicable, the Company agrees to adhere to the FCC's rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, the Company shall

remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

19) To the extent necessary, Frontier agrees to engage in good faith negotiations with incumbent local exchange carriers whose networks interconnect at the same local tandem regarding traffic exchange;

20) The Company agrees to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety Communications Center," also known as 911 services. At the time the Company offers or provides any service that would implicate Title 23, Chapter 47, the Company agrees to contact the appropriate authorities regarding 911 services in the counties and cities where the Company will be operating prior to initiating local service in South Carolina and shall provide the 911 coordinator in each county and/or city with information regarding the Company's operations. Attached as Exhibit 1 to this Settlement Agreement is a memorandum from the State 911 Office which provides contact information for the County 911 Coordinators;

21) The Company agrees to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

22) Frontier agrees to file a final revised tariff with both the ORS and the Commission. The Company agrees to file and maintain its tariff with the Commission's electronic tariff filing system within thirty days of receipt of the Commission Order granting Frontier's certificate.

23) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10 (B). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

... 'public interest' means a balancing of the following:



- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

24) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and that the Commission take no action inconsistent with its adoption. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

25) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation.

26) This Settlement Agreement shall be interpreted according to South Carolina law.

27) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this

document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

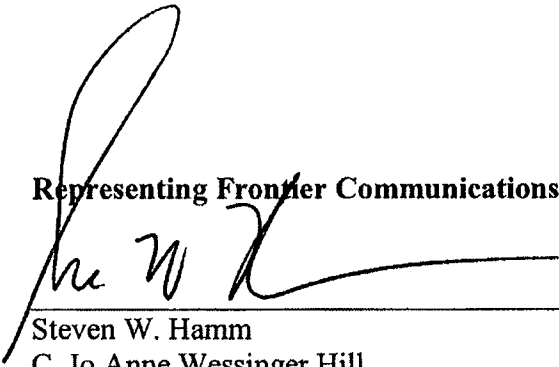
WE AGREE:

**Representing the Office of Regulatory Staff**

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3/21/11  
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Date

**EXHIBIT 1**

STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
OFFICE OF RESEARCH & STATISTICS

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GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

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Bobby Bowers  
DIRECTOR

August 2, 2004

To: Telephone Companies New to South Carolina

In an effort to continue providing quality emergency services to the citizens of South Carolina, the State 911 Office requests that before beginning telephone services in a county, you contact the 911 Coordinator in that county. This will allow both parties to obtain important information about providing 911 services in that county. If you have already begun services, then contact the coordinator as soon as possible.

A list of County 911 Coordinators can be found on the South Carolina E911 homepage at [www.ors.state.sc.us/digital/E-911.ASP](http://www.ors.state.sc.us/digital/E-911.ASP). If you have any questions related to 911 in South Carolina, you may contact E911 Coordinations at the Office of Research and Statistics at 803-734-3883. The person responsible for this can also be found on the 911 homepage. Please be aware that some cities may have their own E911 systems, these are also listed on the 911 homepage. These city coordinators will need to be contacted in addition to the county coordinators.

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